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BEFORE THE ARIZONA CORPORATION COMMISSION

KRISTIN K. MAYES  
Chairman

GARY PIERCE  
Commissioner

PAUL NEWMAN  
Commissioner

SANDRA D. KENNEDY  
Commissioner

BOB STUMP  
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY FOR APPROVAL OF PLANS  
RELATED TO RENEWABLE  
TRANSMISSION PROJECTS

DOCKET NO. E-01345A-10-0033

DECISION NO. 72057

ORDER

Open Meeting  
December 14 and 15, 2010  
Phoenix, Arizona

BY THE COMMISSION:

**Background**

As part of the Fifth Biennial Transmission Assessment ("BTA") Process, approved by Decision No. 70635 (December 11, 2008), Arizona electric utilities were required to file, by October 2009, a document identifying their top potential Renewable Transmission Projects ("RTPs") that would support the growth of renewable resources in Arizona. On October 30, 2009, Arizona Public Service Company ("APS" or "Company") filed its top potential RTPs in APS' service territory. That filing included a proposed development approach and schedule. A key part of the Company's October 2009 filing was its Renewable Transmission Action Plan ("RTAP") which was developed in cooperation with other utilities and interested stakeholders. The intent of the RTAP is to create a method for RTP identification, approval and financing. APS emphasizes in its RTAP that cost recovery for the RTPs is critical to the viability of the projects.

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FINDINGS OF FACT

1  
2 1. Arizona Public Service Company ("APS" or "Company") is engaged in providing  
3 electric service within portions of Arizona, pursuant to authority granted by the Arizona  
4 Corporation Commission.

5 2. On January 29, 2010, APS filed "The Application of Arizona Public Service  
6 Company for Approval of Plans Related to Renewable Transmission Projects." Included were  
7 descriptions of APS' "top three" RTPs and the APS Renewable Transmission Action Plan. In the  
8 application, APS requested that the Commission determine the following:

- 9 A. The proposed process to identify RTPs is appropriate.  
10 B. The proposed RTAP is appropriate.  
11 C. The proposed timing of the next RTAP filing should be in parallel with the  
12 2012 BTA process.  
13 D. The proposed flexibility with the timing and duration of the Certificates of  
14 Environmental Compatibility ("CECs") acquired for RTPs is appropriate.  
15 E. The proposed Delany to Palo Verde 500 kV line is in the public interest and  
16 this RTP and APS' RTAP development plan for the project are therefore  
17 approved.  
18 F. The proposed Palo Verde to North Gila 500 kV line is in the public interest and  
19 this RTP and APS' RTAP development plan for the project are therefore  
20 approved.  
21 G. The proposed Palo Verde to Liberty and Gila Bend to Liberty projects are in the  
22 public interest and this RTP and APS' RTAP development plan for the projects  
23 are therefore approved.

24 3. In its application, APS indicated that it is well-positioned to meet the REST  
25 requirements and exceed those requirements without adding any major transmission lines  
26 (including these RTPs) until approximately 2018.

27 4. The Commission's Fifth BTA decision ordered Commission-regulated utilities to  
28 conduct joint workshops or planning meetings to develop ways to identify new RTPs and develop  
ways to have the RTPs approved and financed in order to support the growth of renewables in  
Arizona. Each utility was required to identify the top three renewable transmission projects in

1 their respective service territories. Finally, the utilities were required to develop plans to identify  
2 future RTPs and develop plans and proposed funding mechanisms to construct the top three  
3 renewable transmission projects.

4 5. In response to the Commission's Fourth BTA decision in 2006, the Southwest Area  
5 Transmission ("SWAT") Sub-Regional Planning Group formed a Renewable Transmission Task  
6 Force ("RTTF"). Later, in response to the Fifth BTA decision in 2008, the RTTF established two  
7 subcommittees: the Arizona Renewable Resource and Transmission Identification Subcommittee  
8 ("ARRTIS") and a Finance Subcommittee. ARRTIS identified areas in Arizona where wind and  
9 solar resources were abundant and possibly available for utility-scale projects. The Finance  
10 Subcommittee's mission was to develop a methodology for RTP development in Arizona. In  
11 addition, the Finance Subcommittee worked to develop methods that would help utilities finance  
12 and construct RTPs. The Finance Subcommittee developed a RTAP methodology for identifying  
13 RTPs.

14 6. APS worked closely with the RTTF, including both the ARRTIS and Finance  
15 Subcommittee, as well as with other utilities and stakeholders to determine its top RTPs. APS  
16 believes that the most effective way to proceed is for APS to develop and construct the RTPs, in  
17 conjunction with others in some instances, recovering the development costs through the Federal  
18 Energy Regulatory Commission ("FERC") approved transmission rates and through the APS  
19 Transmission Cost Adjustor ("TCA").

20 7. In 2009, in a rate case settlement, APS agreed to acquire siting approval and  
21 construct "one or more new transmission lines or upgrades designed to facilitate delivery of solar  
22 and other renewable resources to the APS system." In order to meet this commitment, APS  
23 proposes to construct the Delany to Palo Verde 500 kV line.

24 8. Included in APS' most recent Ten-Year Plan are transmission projects that will  
25 support the development of renewable resources. Included are the Delany to Sun Valley 500 kV  
26 project, the Sun Valley to Trilby Wash 230 kV project, the Sun Valley to Morgan 500 kV project  
27 and the Morgan to Pinnacle Peak 500 kV project.

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1           9.     In its January 29, 2010 application, APS included the APS Renewable  
2 Transmission Action Plan, with a request for approval of the proposed RTAP, approval of the  
3 process to identify RTPs, approval that the next RTAP filing should be in parallel with the 2012  
4 BTA process, approval of flexible timing and duration of CECs, and approval of APS' top four  
5 RTPs to be in the public interest.

6           10.    The top four RTPs proposed by APS are:

- 7               1.    Delaney to Palo Verde
- 8               2.    Hassayampa to North Gila #2
- 9               3A.   Palo Verde Hub to Liberty
- 3B.   Gila Bend to Liberty Area

10          11.    In addition to the top four RTPs mentioned above, APS included information about  
11 the Delany to Blythe project, which is the Arizona Portion of the Palo Verde-Devers II project.  
12 APS did not specifically request approval of this RTP.

13          12.    In a response to Staff's data request, APS provided information to Staff that shows  
14 how many renewable generation projects are in the "interconnection queue" which could, if  
15 electricity contracts were signed, utilize each of the proposed RTPs in the APS RTAP. Table 1  
16 summarizes the data from the APS response.

17          13.    Staff notes that only a portion of proposed renewable generation projects will  
18 become economically viable and eventually be built. Table 1 is designed to show the maximum  
19 MW of new renewable capacity that **might** want to interconnect with each proposed RTP.

20          14.    Table 1 includes a column entitled "Generators with CECs" which shows  
21 renewable generation projects which could use a particular RTP. Note that some projects are listed  
22 more than once, showing that, depending on where the electricity needs to be delivered, the owners  
23 of the renewable power plants have a choice of which RTP they wish to utilize.

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**Table 1: RENEWABLE GENERATION PROJECTS THAT COULD USE A  
PROPOSED RENEWABLE TRANSMISSION LINE**

Project #	RTP Project	Number of Interconnection Requests	Possible MW that Could Use the Proposed RTP	Generators with CECs
1	Delany to Palo Verde (500 KV)	3	1,500 MW	Starwood – 500 MW (Decision No. 71442)
2	Hassayampa to North Gila # 2 (500 KV)	18	4,468 MW	Agua Caliente – 500 MW (Decision No. 71297)
3A	Palo Verde Hub to Liberty (500 KV)	80	9,313 MW	Abengoa/Solana – 280 MW (Decision No. 70531) Starwood – 500 MW (Decision No. 71442)
3B	Gila Bend to Liberty Area (500 KV)	80	9,313 MW	Agua Caliente – 500 MW (Decision No. 71297) Abengoa/Solana – 280 MW (Decision No. 70531) Starwood – 500 MW (Decision No. 71442)
4	Delany to Blythe (500 KV)	118	19,366 MW	Agua Caliente – 500 MW (Decision No. 71297) Abengoa/Solana – 280 MW (Decision No. 70531) Starwood – 500 MW (Decision No. 71442)

15. Staff has reviewed the APS application, the APS RTAP, and the APS responses to Staff's data requests.

16. Staff notes that although over 10,000 MW of proposed new renewable generation could potentially utilize the four proposed RTPs, no formal commitments have been made by any renewable project. In fact, only a handful of renewable projects have been through the formal Arizona Power Plant and Transmission Line Siting process and received a Certificate of Environmental Compatibility. Those renewable projects are;

- A. Abengoa Solar/Solana: 500 MW
- B. Starwood Solar I: 500 MW
- C. Agua Caliente Solar: 500 MW
- D. Arlington Valley Solar: 250 MW
- E. Mesquite Solar: 500 MW
- F. Hualapai Valley Solar: 340 MW

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17. The fact that there is significant potential for the use of an RTP by any number of proposed renewable power plants does not guarantee that any of the proposed plants will, in fact, be built or will use any particular RTP.

18. Since the Commission has already determined that the incorporation of renewables into the utility generation portfolio mix is in the public interest, the next logical step would be that the Commission determine that the development and construction of new transmission lines, in general, to support the Commission-mandated growth in utility renewables is also in the public interest. However, such a general determination would not necessarily mean that any particular RTP is itself in the public interest.

19. In light of the fact that APS is asking the Commission for a declaration that the four RTPs are in the public interest, Staff believes that APS should be held to a very high standard of proving that the proposed RTP will benefit the utility and its customers. This standard would require APS to go through a four-step process to document the need for each proposed RTP. This process would clearly demonstrate the need for each individual RTP. Staff recommends the following RTP Approval Process:

Step 1: APS would conduct an "Open Season" solicitation of confidential letters of intent to bid on Renewable Requests for Proposals ("RFPs"). The letters of intent would identify the exact location of the proposed project, the technology proposed, and the project output. For those projects not wanting to bid in an APS RFP, but wanting to use a proposed RTP, renewable project developers' letters would indicate the details of their proposed usage.

Step 2: If there is a sufficient level of interest in a particular RTP, APS would publish a Request for Proposals for projects wanting to interconnect with and utilize a particular RTP. The RFP could cover more than one RTP if there is significant interest in more than one RTP. APS would select winning RFP projects and sign contracts with the winning developers.

Step 3: APS would need to obtain at least one signed contract from one significant proposed renewable plant owner for transmission service on the proposed RTP in order to proceed. Additional contracts by other renewable or conventional power plant developers would be helpful in demonstrating the need for the RTP.

Step 4: APS would apply to the Arizona Power Plant and Transmission Line Siting Committee for approval of a Certificate of Environmental Compatibility for the specific RTP. In the Commission decision, the ACC would address the issue of the RTP being in the public interest.

1           20.     Staff has reviewed the process developed by the RTTF, and administered by APS,  
2 to identify the RTPs. Staff believes that the process was consistent with the Commission orders in  
3 the Fifth BTA final order (Decision No. 70635). Staff concludes that the process to identify RTPs  
4 is appropriate.

5           21.     Staff has reviewed the APS Renewable Transmission Action Plan that was  
6 docketed on October 30, 2009. Staff believes that the RTAP process is appropriate and consistent  
7 with Commission decisions.

8           22.     Staff has reviewed APS' proposal that the timing of the next RTAP filing should be  
9 in parallel with the 2012 BTA process. By including the RTAP filing in each BTA process, all  
10 stakeholders will be aware of the scope and depth of each utility's renewable transmission  
11 program. Staff supports this proposed timing.

12           23.     APS, in its application, requested flexibility with the timing and duration of the  
13 CECs acquired for RTPs. Staff agrees that there should be maximum flexibility related to the  
14 timing and duration of the CECs for RTPs. The renewable industry is a new and growing industry.  
15 The industry is responding to increasing interest by utilities in purchasing more renewable  
16 electricity. This interest is increasing slowly and is projected to grow significantly over the next  
17 two decades. In order to accommodate the new demand and to set clear signals for developers  
18 where future transmission will be available to support the growing renewable industry, Staff  
19 recommends longer than normal duration of the CECs.

20           24.     The Commission believes that it should delineate exactly what is expected in future  
21 RTAP filings. Therefore, in its future RTAP filings, APS should incorporate the following items:

22                   Identification of RTPs, which includes the acquisition of transmission capacity,  
23 such as, but not limited to, (i) new transmission line(s), (ii) upgrade(s) of existing  
24 line(s), or (iii) the development of transmission project(s) previously identified by  
the utility (whether conceptual, planned, committed and/or existing), all of which  
provide either:

- 25                   • Additional direct transmission infrastructure providing access to areas within  
26 the state of Arizona that have renewable energy resources, as defined by the  
27 Commission's Renewable Energy Standard Rules (A.A.C. R14-2-1801, et  
28 seq.), or are likely to have renewable energy resources; or

- Additional transmission facilities that enable renewable resources to be delivered to load centers.

25. The Commission believes that additional information should be provided by APS that was lacking in their original RTAP filing. A utility requesting for renewable transmission projects utilities shall file information on the type, amounts and location of renewable energy generation expected to interconnect to the transmission project and type, amounts and location of non-renewable energy using the line. Accordingly, APS shall file this information in this Docket within 30 days.

26. The Commission believes it would be helpful for utilities requesting approval for renewable transmission projects to provide an economic impact analysis that would allow the Commission to examine the economic impacts of proposed renewable energy transmission lines. A utility requesting approval for renewable transmission projects shall file an economic impact analysis which includes estimates of the number of jobs created, types of jobs created, tax base impacts, and other similar economic impacts. Accordingly, APS shall file this information in this Docket within 60 days.

#### CONCLUSIONS OF LAW

1. APS is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over APS and over the subject matter of the application.

3. The Commission, having reviewed the application and Staff's Memorandum dated November 9, 2010, concludes that it is in the public interest to acknowledge the appropriateness of the process to identify Renewable Transmission Projects, and to acknowledge the appropriateness of the APS Renewable Transmission Plan.

#### ORDER

IT IS THEREFORE ORDERED that the process developed by the Renewable Transmission Task Force, and administered by Arizona Public Service Company, to identify the

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1 Renewable Transmission Projects is consistent with Commission orders in the Fifth Biennial  
2 Transmission Assessment final order (Decision No. 70635) and is appropriate.

3 IT IS FURTHER ORDERED that the Arizona Public Service Company Renewable  
4 Transmission Action Plan is appropriate and consistent with the Commission Fifth Biennial  
5 Transmission Assessment final order.

6 IT IS FURTHER ORDERED that the timing of the next Renewable Transmission Action  
7 Plan filing shall be in parallel with the 2012 Biennial Transmission Assessment process.

8 IT IS FURTHER ORDERED that Arizona Public Service Company's RTP proposed  
9 development plan as a process for a potential Delany to Palo Verde 500 kV project is hereby  
10 approved.

11 IT IS FURTHER ORDERED that Arizona Public Service Company's RTP proposed  
12 development plan as a process for a potential Palo Verde to North Gila 500 kV project is hereby  
13 approved.

14 IT IS FURTHER ORDERED that Arizona Public Service Company's RTP proposed  
15 development plan as a process for a potential Palo Verde to Liberty and Gila Bend to Liberty  
16 projects is hereby approved.

17 IT IS FURTHER ORDERED that Arizona Public Service Company shall file in this  
18 Docket within 30 days of the effective date of this Order, information on the type, amounts, and  
19 location of renewable energy expected to interconnect to the transmission project and type,  
20 amounts and location of non-renewable energy using the line.

21 IT IS FURTHER ORDERED that Arizona Public Service Company shall file in this  
22 Docket within 60 days of the effective date of this Order, an economic impact analysis which  
23 includes estimates of the number of jobs created, types of jobs created, tax bas impacts, and other  
24 similar economic impacts.

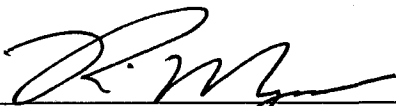
25 IT IS FURTHER ORDERED that Arizona Public Service Company shall, in any future  
26 Renewable Transmission Action Plans filed with the Commission, identify Renewable  
27 Transmission Projects, which include the acquisition of transmission capacity, such as, but not  
28 limited to, (i) new transmission line(s), (ii) upgrade(s) of existing line(s), or (iii) the development

of transmission project(s) previously identified by the utility (whether conceptual, planned, committed and/or existing), all of which provide either:

1. Additional direct transmission infrastructure providing access to areas within the state of Arizona that have renewable energy resources, as defined by the Commission's Renewable Energy Standard Rules (A.A.C. R14-2-1801, et seq.), or are likely to have renewable energy resources; or
2. Additional transmission facilities that enable renewable resources to be delivered to load centers.

IT IS FURTHER ORDERED that this Decision become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**



CHAIRMAN



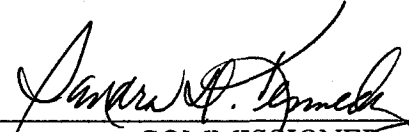
COMMISSIONER



COMMISSIONER

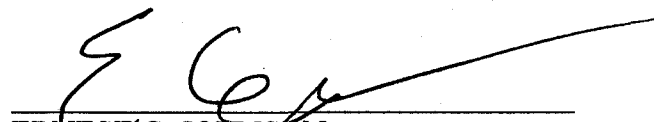


COMMISSIONER



COMMISSIONER

IN WITNESS WHEREOF, I, ERNEST G. JOHNSON, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 6th day of JANUARY, ~~2010~~ 2011

  
ERNEST G. JOHNSON  
EXECUTIVE DIRECTOR

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

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